

**CITY OF PONTIAC, MICHIGAN
GENERAL EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
SPECIAL MEETING
JUNE 5, 2015**

A special meeting of the Board of Trustees was held on Friday, June 5, 2015 at the Retirement Office located at 2201 Auburn Road, Suite B, Auburn Hills, Michigan 48326. The meeting was called to order at 9:04 a.m.

TRUSTEES PRESENT

Jane Arndt
Koné Bowman
Janice Gaffney
Robert Giddings
Charlie Harrison, Chairman
Walter Moore (*By telephone*)
Nevrus Nazarko
Deirdre Waterman, Mayor (*arrvd. @ 9:08 am*)
Kevin Williams (*By telephone*)

TRUSTEES ABSENT

Shirley Barnett (*excused*)
Patrice Waterman (*excused*)

OTHERS PRESENT

Matthew Henzi, SWAP PC
Cecelia M. Carter, Exe. Director

PUBLIC COMMENT – N/A

NEW BUSINESS

Re: Discussion and Decision on the Pontiac GERS Gray & Company Manager of Managers Programs

Chairman Harrison described the purpose of the meeting is to replace the Manager of Managers for the Emerging Manager and Michigan-Centric portfolios.

Miss Carter indicated she was directed by the Board to find a replacement for the Manager of Managers Program. Give the time frame; she was able to find two managers that sponsor manager of manager programs: Northern Trust (Chicago, IL) and Attucks Asset Management (Chicago, IL).

She also received a phone call and notice that Morningside (a soon to be spinoff of Gray & Company) would like to submit a proposal.

She provided an executive summary of the managers' information. Each manager is using the same fee structure of 65 basis points. There are some nuances based on the amount of the investment. They will be using the same portfolio structure currently in place.

Trustee Deirdre Waterman arrived at 9:08 a.m.

Chairman Harrison asked if the Trustees had any questions.

Trustee Nazarko asked if there is more information available and whether it could be discussed at the next meeting.

Chairman Harrison and Trustee Gaffney both indicated the Board discussed leaving the consulting side of the System with Gray & Company but moving the manager of managers program to another manager at the last meeting.

Trustee Nazarko asked if the Board should look at comparing strategies of other similar plans before moving forward.

Miss Carter noted the System is currently paying 65 basis points to the manager of manager who pays the underlying managers out of that fee.

Trustee Nazarko questioned whether the Board should look at similar plans and the benchmarks they are using.

Miss Carter explained there will be negotiations and guidelines determined when the contract is drafted.

Chairman Harrison explained going forward the manager of managers program will be separate. If the System switches to a new consultant they will keep the same manager to manage the portfolios.

Trustee Arndt asked who joined the meeting at 9:13 a.m. via telephone

Chairman Harrison stated he would like to keep the same managers intact that are currently in the portfolios. His only concern with Northern Trust is that they will not maintain the same manager structure. He also noted the System is still involved in securities lending litigation with Northern Trust.

Mr. Henzi stated the System is still involved in litigation with Northern Trust based on the \$300,000.00 losses in Northern Trust's securities lending program. Both the General and the Police & Fire Systems are plaintiffs in a lawsuit stating that Northern Trust ran the program poorly taking on unnecessary risk they never disclosed. He indicated Northern Trust is the custodian bank for the System. His advice would be not to disrupt that relationship, based on the pending litigation.

Trustee Deirdre Waterman questioned why the System would include Northern Trust in this search based on their poor management of the securities lending program. She also asked for a breakdown of the fee structure including the total fees paid to Gray & Company in 2014.

Trustee Nazarko stated he is not happy with Northern Trust and wondered why the System would look at a company out of Chicago and not a local company.

Trustee Gaffney stated Morningside is too new to be considered. She noted that the managers are charging the same management fees. Attucks Asset Management has the history and experience overseeing a manager of managers program.

Miss Carter explained Gray & Company charges 65 basis points for each portfolio they manage. Their consulting fee is \$97,000.00 annually has not increased since they were hired. They also receive 100 basis points managing the GrayCo Alts portfolio.

She disclosed Attucks took over the City of Seattle manager of managers program when she was the Executive Director.

She explained Attucks Asset Management has a mentoring program. They “graduate” those managers in their program that develop a business substantial enough to self-support

Trustee Deirdre Waterman asked about the transition process.

Miss Carter explained the custodian will be put on notice that a new manager has been selected and will oversee the retitling of the affected accounts to reflect Attucks Asset Management.

Trustee Deirdre Waterman questioned whether there is an obligation to notify the Board.

Trustee Nazarko asked if Attucks is affiliated with any of the large public fund organizations.

Chairman Harrison told the Board Les Bonds the CEO of Attucks is also the Chairman of NASP.

Miss Carter indicated Attucks is also a corporate member of NCPERS.

Trustee Deirdre Waterman questioned whether Gray & Company has been notified.

Trustee Nazarko asked if it is legal to change managers before Gray & Company is notified.

Mr. Henzi confirmed the Board has the authority to replace a manager without prior notification. It was also noted that Gray & Company is currently on watch.

Trustee Moore questioned how the Board arrived at this decision to terminate Gray & Company as the manager of managers.

He was informed there was discussion at the regular Board meeting that led to this decision.

Trustee Giddings confirmed the “Agreements” would be subject to ADV review and pending legal review.

Trustee Moore agreed the documentation needs to be in order before moving forward.

Chairman Harrison explained all agreements and contracts require legal review before they can be enacted. Once legal has approved the contract the Chairman's signature is ratified on the Agreement.

RESOLUTION 015-042 By Giddings supported by Gaffney

Resolved, That the Board approve the termination of Gray & Company – Gray Emerging Manager Large Cap program and further authorizes the transfer of such program, the underlying manager relationships and the underlying assets to Attucks Asset Management to establish a similar program; and further authorizes the execution of such documents necessary to effectuate the transfer of assets.

Yeas: 9 – Nays: 0

RESOLUTION 15-043 By Giddings, Supported by Gaffney

Resolved, That the Board authorizes the Chairman to enter into an Agreement with Attucks Asset Management, LLC to establish an Emerging Manager, Manager of Managers program; using the existing underlying managers currently in the Gray Emerging Manager program. The foregoing all pending legal review and approval.

Yeas: 9 – Nays: 0

RESOLUTION 015-044 By Moore supported by Giddings

Resolved, That the Board approve the termination of Gray & Company – Gray Michigan-Centric Manager Large Cap program and further authorizes the transfer of such program, the underlying manager relationships and the underlying assets to Attucks Asset Management, LLC to establish a similar program; and further authorizes the execution of such documents necessary to effectuate the transfer of assets.

Yeas: 9 – Nays: 0

RESOLUTION 15-045 By Gaffney, Supported by Giddings

Resolved, That the Board authorizes the Chairman to enter into an Agreement with Attucks Asset Management, LLC to establish a Michigan-Centric Manager of Managers program; using the existing underlying managers currently in the Gray Michigan-Centric Manager program. The foregoing all pending legal review and approval.

Yeas: 9 – Nays: 0

There was discussion regarding how the Board's decision to look for a new manager to oversee the manager of managers program came about due to the current situation.

Trustee Gaffney indicated the Board felt there should be a clean separation from Gray & Company overseeing the Manager of Manager programs based on the issues at hand.

Trustee Williams left at 9:40 a.m.

RESOLUTION 15-046 By Gaffney, Supported by Giddings
Resolved, that the Board move to closed session to discuss pending litigation

Roll Call:

Trustee Arndt – yea	Chairman Harrison - yea
Trustee Bowman – yea	Trustee Moore - yea
Trustee Gaffney – yea	Trustee Nazarko - yea
Trustee Giddings – yea	Trustee Deirdre Waterman - yea

The Board moved to closed session at 9:42 a.m.

Trustee Gaffney left at 9:56 a.m.

The Board came out of closed session at 10:03 a.m.

RESOLUTION 15-047 By Nazarko, Supported by D. Waterman
Resolved, That the Board adjourned the meeting at 10:06 a.m.

Yeas: 7 – Nays: 0

I certify that the foregoing are the true and correct minutes of the special meeting of the General Employees Retirement System held on June 5, 2015

As recorded by Jane Arndt